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Abstract

Generally, this paper discusses Malaysia’s nation building process that includes the changing of national understanding from Sultanate perspective towards democratic nation. In 1957, Malaya achieved its independence. Ethnic Malays through United Malays National Organization (UMNO), ethnic Chinese through Malaysian Chinese Association (MCA) and ethnic Indian through Malaysian Indian Congress (MIC) are the major political parties, which at that time maintained separate identities, based on ethnicity. However, they had to compromise and unify for independence. This paper will also touch on the factors, which influenced the process of nation building, especially internal and external factors. The role of several important leaders, especially former Prime Minister Mahathir Mohamed, their policies and actions to develop and establish Malaysia’s nation building process, is discussed.

Keywords: Nation Building; Leadership; Political Parties; Malaysia.

1.0 Introduction

In 31 August 1957, Malaya achieved its independence. Pertubuhan Kebangsaan Melayu Bersatu or United Malays National Organization (UMNO), Malaysian Chinese Association (MCA) and Malaysian Indian Congress (MIC), the major political parties, which at that time maintained separate identities, based on ethnicity, had to change direction and move forward to come into compromise and unify for independence. The usual pattern of forming a coalition government after the election, when the winning party does not gain enough seats to form government, was slightly changed by Tunku Abdul Rahman in Malaya [1]. UMNO, MCA and MIC formed a coalition party based on ethnicity before going to contest the election. The Alliance party came into existence, based on ethnic compromise and significantly built new dimensions of national resilience, principles that had never been acknowledged until that time. Tunku Abdul Rahman led this coalition and won the election in July 1955 [2] by a significant 51 seats out off 52 [3] via 818,013 votes of support from overall 1,027,211 voters [4], which viewed as a major victory for the concept of national resilience and ethnic compromise. By agreement, none of the candidates from UMNO, MCA and MIC contested in the same constituency. This introduced a new dimension of political approach to a multi racial coalition party that never happens in any other country in the world.

The process of ‘nation building’ in Malaysia was unique and full of so many new concepts that it would be impossible to understand by just a one-day survey. Located in the middle of the Southeast Asian region, Malaysia is directly influenced by the internal and external factors. Among the most important principles which must be considered when analyzing Malaysian politics are:-

- Politics and social culture are related.
- Religion and culture have a significant effect on Malaysian politics.
- Tradition and ethnicity are reflected in the system of politics and administration.
• Malay is dominant in politics, and it is believed that if that were to change, Malaysia would struggle with chaos and turbulence.

• The Monarchy is respected and at some levels, provides balance between power and politics. Rulers are not allowed to participate in the politics, however respect for the monarch often helps calm down tension between Malay politicians [5].

2.0 Historical Perspective of Malaysian Politics: Nationality and Politics

Malaysia came into being on 16 September 1963 bringing together Persekutuan Tanah Melayu or famously called Malaya (which at that time consist of 9 Malay Sultanate states and former two British colonial called Straits Settlement in the Malay Peninsula), Singapore, Sarawak and North Borneo (Sabah) into one single federation [6]. This federation, which manifests itself as a single identity in the international arena has never since its formation been subject to claims for separate autonomous states or governments. This means Malaysia can claim to be among the most successful federations in Southeast Asia, (and the world), with the achievement of a highly-integrated level of unity. Every part of the Malaysian states claim they are Malaysian and no separatist movement has occurred in its history, compared to neighboring countries. Thailand has a problem in the South with the separatist movement in Pattani, Indonesia with Gerakan Acheh Merdeka (GAM) and the Philippines with the MILF (Moro Islamic Liberation Front) in Mindanao. The evidence shows that Malaysia is an example of highly integrated unity among races and ethnic groups without the supremacy of a certain race or majority. Even though constitutionally, Malays are given priority in certain aspects, in political procedure, the position is not statute without change. In the Federation of Malaysia, every state has their own way of governing themselves, for example, Sabah and Sarawak are given special recognition in certain levels of state administration.

This has made, Malaysia a ‘United States’ in the Southeast Asian region. Even though the country remains a Kingdom, with the Sultan ‘as a head of the state’ remaining in power, the constitution had given a mandate to the people to choose the elected government. ‘People power’ dominates the system. The Executive Government remains in position under the philosophy of ‘by the people, from the people, to the people’. The process of integration in the system had continuously progressed since the general election in 1955 and independence in August 1957 [7]. The integration between ‘power politics’ and the ‘balance of ethnicity and races’ had occurred as the dominant factor that saved Malaysia from sinking to the level of insurgency [8]. With the combination of the Malay states in the peninsula, Singapore and the Borneo states of Sarawak and Sabah, Malaysia developed into a multi diversity of ethnic groups, races and political divisions which made Malaysia a unique nation. ‘Unity among diversity’ allowed Malaysia to transform itself from just a small country, little known by the world, to its image now of a nation filled with courage and ‘outspoken’ leaders and citizens. Malaysia became a branded country after a hard working Mahathir premiership took power in 1981 [9].

Since independence in 1957, Malaysia has constantly focused on ‘state building’ rather than ‘nation building’. This will easily understand by examining several phases of its development. Firstly, ‘nation building’ had occurred since the 1940s, the strongest influences being the nationalist movements that were brought together for the formation of UMNO. Secondly, ‘nation building’ was changed to ‘state building’ under Tunku Abdul Rahman. Thirdly, nation building had been altered in the 1970s in order to adopt the political multiracial building of Tun Abdul Razak’s reign in power to the Tun Hussein Onn administration. Fourthly, in the 1980s, when Dr. Mahathir took office after Tun Hussein Onn, nation building was transformed into ‘Islamic-Eastern building’. Mahathir transformed Malaysian ‘state building’ to adapt to international change, by giving priority to the East rather than the West. His ‘Look East’ policy dominated the paradigm change in the ‘state building’ in the first era of Mahathir’s administration. The second phase of Mahathir’s plan was to modify the concept of ‘state building’ in Malaysia to deal with Islamic extremism by focusing on gaining support from the Islamic world to recognize Malaysia as an Islamic state and that the government is following the right view of Islamic Sunnah. This provides a balance between ‘state building’ and the ‘nation building’ in Malaysia. Under Dr. Mahathir’s reign, the process for state building is ‘enormously excellent’.

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However, the process of nation building in Malaysia is remaining in progress with various aspects of change, particularly in the educational sector and socio-political process.

2.1 The Transformation from 'sultanate nationality' to 'nation building'

Nation building in the Malaysian context is mostly defining the Malays as a primary subjects. Malays before 1940s were divided into various Malay groups, who categorized themselves separately between states and kaum (ethnics) [10]. Malays, who are all Muslims, were highly influenced by traditional loyalty to the Sultan and the King. The Sultan became the subject of sovereignty by his or her own people. Excluding the Malays who live in Malacca, Penang and Singapore, Malays had to be citizens and loyal subjects to each state governed by the traditional royalist-aristocracies. This had a major influence on the process of nation building in Malaya.

The process of nation building had never been able to manifest before World War II. Before World War II, there was no existing Persekutuan Tanah Melayu (Federation of Malaya). The only Federation that existed in Malaya before 1946 was called Negeri-Negeri Melayu Bersekutu, (Federated Malay States), which was formed in 1895. This federation combined Pahang, Selangor, Negeri Sembilan and Perak. The idea of federation had sprung from the mind by Swettenham in 1893, and later attracted Clementi Smith. However, Smith took no further action. Under Sir Charles Mitchell, as a British Secretary of State in London, the proposal by Swettenham was brought up again [11]. For Kedah, Perlis, Kelantan, Terengganu and Johor, the process of 'nation building' primarily based on their own style, which the British called Negeri-Negeri Bukan Melayu Bersekutu (non-Federated Malay States). Separately, Penang, Malacca and Singapore were federated, and governed as a single administration called the Negeri-Negeri Selat (Strait States). Only after a proposal in 1946 by Sir Harold McMichael to form a federation of all Malay states and Straits States to be called a Malayan Union, did the possibility of a true Federation of Malaya arise and subsequently manifest into reality. All this division and separation created some conflict [12] that later affected the process of 'actual Malay nation building'.

2.2. UMNO and Malayan Union in 1946

The effort of Dato Onn Jaafar, the Johor Malay leader, had realized the vision of unity for every Malay in Malaya, either from non-federated states or Strait States, to combine together for unity, that later brought UMNO into reality on 11 May 1946. UMNO is actually a coming together of all the Malay associations in the Malay Peninsula, from Perlis to Johor and Singapore to fight against the proposal for a Malayan Union as suggested by Sir Harold McMicheal. His concept of a Malayan Union came with the idea of 'nation building' in Malaya, which meant bringing to non-Malays an 'equal citizenship right' [13]. Moreover, the action proposed in the idea of Malayan Union meant the overthrow of the Sultanate and Kingship. For Malays, the Sultan and the Raja are regarded as the 'traditional and spiritual leaders of the Malay people' [14].

The idea to replace the Sultanate with a political system under the Governor, therefore made all Malays suspicious that Islam, as the religion of the genuine Bumiputra (sons of soil), was being undermined by the 'British Crown' and identified this concept of nation building as a threat to their sovereignty. This significantly made Malays oppose the idea of Malayan Union because of their claim as a Bumiputra, the threat to Islam, their leadership and the identity of the Malay itself. The British colonial concept of creating a 'British Crown-Malayan nation building' was totally rejected by the Malays. Malays as a dominant ‘magnet of powers’ in the Malay Peninsula itself were surely significantly important players as a power brokers in Malaya. The total rejection of Malayan Union made the British colonial power realize that it was impossible for successful administration of Malaya without gaining the support of Malay communities. Soon after, on 1 February 1948, the idea of Malayan Union was replaced by the concept of the Persekutuan Tanah Melayu (Federation of Malaya) [15]. This is the prestigious achievement of UMNO under the leadership of Dato' Onn Jaafar [16].

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2.3 'Nation building' and 'state building' under Tunku Abdul Rahman

'Power politics' and the 'balance of ethnicity and races' Through the memoirs of one of the opposition leaders during the first Tunku reign, Tan Chee Khoon stated:

“\textit{The compromise of citizenship, Malay Rights, Language... were the results of hard bargaining on the part of partners of the Alliance but the guiding hand was that of the Tunku.},’ later he wrote, ‘it was Tunku who brought the three major communities together to work for the good of the country. It was Tunku who was trusted by all the communities.” [17].

These concepts, made law by Tunku, meant that Malaya and Malaysia was well prepared to fight against communism. In certain times, hard decisions based on 'power politics', meant the compromises and bargaining by the leaders of all communities were overridden. 'Power politics' is a key element in ensuring Malaysia, as a multi racial and multi religious-custom society, is able to smoothly govern without allowing an act of revolution. Revolt and revolution in the politics of Malaysia will create an instability situation to Malaysia. Reformation and evolution were regarded as much more successful in transforming a system without much controversy. The placement of Malays as a legitimate 'core power', is a significant factor which must not be neglected.

Any revolt against this system, in place since before the first pre-independent election in 1955, would create tremendous corrupting effects to the stability of nation and state building itself. UMNO, MCA and MIC as the Alliance party, is a major contributor to the 'power politics' in Malaysia automatically responding to the stability of the country based upon the race and ethnic 'nation building'[18]. For a multiracial country, the most fragile elements that will bring a disaster to the system is neglecting the 'racial-ethnic balance' of the political economy. If this 'racial-ethnic balance' can be properly governed and well managed by the government, it will be a core element in securing the prosperity and longevity of the development 'nation and states building'[19]. The racial riots which happened in May 13, 1969 during the reign of Tunku, was evidence of the importance of measuring 'power politics' when dealing with communal politics in Malaysia [20]. Khoon from his perspective of views stated:

“\textit{to me one great weakness of the Tunku was his yielding to pressure to enact the Internal security Act (ISA).}” [21].

The toleration shown by Tunku during the general election in May 1969 generated an election campaign that was hot with sensitive issues involving racial and religious sentiments. It later allowed the arising of chauvinism and extremism in Malaysian politics. Ronald McKie, in his memoir about Malaysia in 1963, stresses that no discrimination and pressure had taken place to make non-Malays and non-Muslims Malaysian. Malaysian clearly is a citizenship that refers it to the territory of Malaysia. Malaysian is not a national, or a racial term and it does not refer to any religious belief.

“\textit{Becoming Malaysian does not mean changing their dress, eating different food, accepting the Muslim religion, altering their traditional customs and way of life. But it does mean that, although Chinese by birth and inheritors of an ancient and great culture tradition, they can be Chinese first no longer, but citizens of Malaysia with a common loyalty, along with Malays and Ibans and two dozen others, to Malaysia}” [22].

McKie clearly states that Malaysia is a 'multiracial flexible' country without any 'hard type of assimilation'. Tunku Abdul Rahman and Tun Razak realized the importance of the grassroots culture that will create a future Malaysia. What ever it might be, it is based upon leadership on how to devise better opportunities for creating Malaysia as country with harmony and stability to ensure the longevity of the Malaysian federation itself. In this sense, Tun Abdul Razak, who succeeded Tunku Abdul Rahman in September 1970 when he decided to leave his position as the Prime Minister, had come up with better solutions to ensure the longevity of Malaysia's multi racial socio-politico
structure for the development of the future Malaysia. At that time, Malaysia had only recently recovered from the political turbulence after the tragedy of May 13, 1969.

On May 13, the first Malaysian and perhaps the last racial-political riots ever happen in the country. These riots happened because of the influence by extremism and communism. Since the tragedy, Malaysia has fought extremism by a major effort that took the consideration of the Prime Minister himself to transform and develop Malaysia as a multi-racial harmonious country. In 1971, the Malaysian Government under Tun Abdul Razak, launched the New Economic Policy (NEP) or Dasar Ekonomi Baru, affirmative actions to balance the socio-economic dispute among races which aims to reduce and eventually eradicate poverty, and to reduce and eventually eradicate identification of economic function with race [23]. By taking the concept of "Ketahanan Nasional" (National Resilience), Tun Abdul Razak had set up the Barisan Nasional (National Front) on January 1, 1974 to replace the ruling Alliance Party. He increased the membership of its parties and coalitions in an effort to establish 'greater alliances' among the parties through political stability. The 1974 general election saw the strongest government Malaysia ever had, with most of the seats won uncontested by Barisan Nasional candidates. The Malaysian Government until today was based on this 'absolute national resilience' introduced by Tun Abdul Razak. This effort had transformed the concepts of nation building to be wider to ensure the political stability of Malaysia. After Tun Abdul Razak's success in 1974, in order to stabilize the country, he came up with a greater 'look east policy'. The Barisan Nasional's Government under Tun Abdul Razak was approaching China to get closer ties. This began in the early 1970s, when Beijing had introduced a new approach in its 'open door' policy that became the 'cornerstone' for the process of normalization of relations between Malaysia and China.

"Malaysia was the first ASEAN country to establish diplomatic relations with China in 1974, followed by the Philippines and Thailand in 1975." [24]

The relationship improvement with China actually improved the position of the Malaysian ethnic Chinese, particularly the older generation at that time, who retained fresh memories of their hometown in China. By the effort made by Barisan Nasional, the improvement of relations with China made the Chinese population in Malaysia feel secure that they can visit China anytime without any harm or prejudice from the Malaysian Government. Since then, every year the Chinese Communist Party is invited to the Malay's most prestigious gathering at the UMNO General Assembly. The Barisan Nasional, set up by Tun Abdul Razak, still remains in power and is still the best form of government, ruled by the coalition-based party manifested by Tunku Abdul Rahman and Tun Abdul Razak. Malaysia's best performing era is that of Tun Dr. Mahathir, who succeeded Tun Hussein Onn in 1981 [25]. Under Tun Dr. Mahathir's leadership, Malaysia acquired one of the most prosperous and dynamic economies in Southeast Asia, with a burgeoning manufacturing sector, an expanding middle class, rising literacy rates, and increased life expectancies. The foreign policy developed during the second paradigm under Tunku Razak, still remains as the model for the Malaysian approach to the world.

3.0 Malaysia as a Fundamental Moderate Islamic Country: Malaysia, is it an Islamic or Secular State?

Tunku Abdul Rahman Putra al-Haj, the first Prime Minister of Malaya, (later known as Malaysia), in his memoirs, “13 May Before and After”, mentions that:

"... Malaysia is a secular State, it has its official religion, Islam." [26].

This simple statement proved somewhat troublesome for Malaysia. The word ‘secular’ to certain Muslims meant something worse than they could imagine. Certain groups negatively defined this as anti-Islamic. Defining what is actually an Islamic or a Secular state led to confusion in Islam. The fighting over the concept divided Muslims into various groups, each with a different perception on the matter. This was later to manifest into categories of Muslims, one group described as extreme, and other groups described as a moderate and liberal. The questions, who is actually Muslim? what is actually meant by these categories?, what is actually understood by the West on Islam? and can all Muslim Fundamentalists be regarded as an enemy or terrorist?, are making the world international politics
become more complex and cast a damaging reflection on Islam. Malaysia is an Islamic State with more than 50% of the population Muslim. Certain parties or groups to gain popularity for political means often manipulate this fact. For a case in point, Pan Malayan Islamic Party (PMIP or PAS) mostly uses Islam as their centre for gaining support in elections. In their campaigns, most of the PMIP leaders stress to their supporters, that UMNO and BN are an ‘enemy of Islam’. This was clearly stated by Dr. Mahathir that:

“very frequently political Islam leads to deliberate misinterpretations of Islam to justify and support their political agendas.” [27].

By using the phrase of ‘Membangun Bersama Islam’ (Develops with Islam) as their slogan, PAS came with their commitment for introducing Hudud as part of an alternative law to replace the constitutional ‘Malaysian common-Islamic law’. However, since three terms after PAS, under Dato' Nik Aziz, formed a State Government in Kelantan in1990, and since 1999 in Terengganu, under Dato’ Seri Abdul Hadi Awang PAS has not implemented hudud in either Kelantan or Terengganu. It seems that the issues over hudud are just a rhetorical proposal made by PAS to win a support from the Muslim Malay voter.

4.0 Malaysia and Terrorism

In an interview with BBC in a special edition of Talking Point, Dr. Mahathir had seriously stated the misjudgement and misunderstanding on Muslim and Islam by certain peoples by saying :

“We [Muslim] there is apparently a clash of civilizations because today a lot of people feel that Muslims are terrorists led by a prophet who was a terrorist. Obviously, there is enmity towards the Muslims” [28].

A few days after the interview with the BBC, Mahathir in the press conference after the end of the OIC Summit in Putrajaya, seriously mentioned the misunderstanding of Islam as the subject for discussions on terrorism by saying :-

“Lots of people make nasty statements about us, about Muslims. People call Muslims terrorists, they even say the Prophet of Muslims, Muhammad, was a terrorist...he later continued by saying... There are other terrorists... There are Christian terrorists, there are Catholic terrorists in Northern Ireland, there are Hindu terrorists and even Buddhist and Japanese terrorists. Nobody ever takes into consideration their religion.”[29].

The reasons for the frustration felt by Dr. Mahathir can clearly be observed through certain evidence. John Funston for example, a famous author and observer of Malaysian politics in one of his articles on terrorism in 2003, portrayed Malaysia as a popular destination and hub for the ‘terrorist guest’. His argument was:-

“Malaysia may also have provided some succour to international terrorists” [30]

Funston’s argument clearly doubts Malaysian authorities’ achievements in fighting against terrorist activities. He stated that Malaysia :

“(it) has, over the years, provided such support to rebels in Indonesia, the Philippines, Thailand and even Chechnya” [31]

This statement by Funston appeared because of prejudice against the Malaysian system over fighting extremism and terrorism. In fact, the truth is, Malaysia is the most effective Islamic multi racial country that has had any real success in dealing with extremism and terrorism. Since after World War II, Malaysia had to face several turbulent years, which actually jeopardized Malaysia and the values of its democratic system. During the emergency period in the era of 1950s to 1960s for example, fighting the Communist insurgents was strongly making Malaya the whole frontier for the Western World system. To impede the Communist ‘domino theory’, Malaysia won a successful victory for the Western world. It is the only war face-to-face that the democratic world ever won with fighting Communism. Then, after the formation of Malaysia in 1963, its leadership had to face Indonesian terror against Malaysia. Under the
influence of the Communist Party of Indonesia, Malaysia was confronted by Sukarno regime to fight against what he described as ‘neo-imperialism’. Again, Malaysia and its leadership convinced the world of her commitment to fighting ‘acts of terror’ by the Communists. Tunku Abdul Rahman clearly stated his willingness to fight the communists. He was not eager to remain neutral and join the Non Alignment Movement, which he questioned by stating that:

“There those countries supported the Communists and called themselves neutrals’, he said, “I am at a loss to understand...in which direction their neutrality lies” [32]

For him, Malaya must fight to any communist movement. He would not tolerate their ideology, and become neutral in this sense of direction. He said, Malaya had:

“... fought them [communist] and have beaten them in our country” [33]

Since the emergency during late 1940s and confrontation by the Communist influenced Indonesia in 1963, Malaysia has remained consistent in it steps to obliterate the ideology related to extremism and the possibility for ‘acts of terror’ to be perpetrated. Recently, Malaysia, with the collaboration of ASEAN members, was playing a significant role by acting as the roles model for fighting extremism and terrorism. Malaysia’s:

“Most recent contribution to fighting terrorism was the establishment of the Southeast Asia regional centre for counter terrorism.” [34]

In its fight against terrorism, Malaysia stressed it views to the world on establishing a peace rally during the NAM and OIC Summit in Kuala Lumpur and Putrajaya called ‘Aman Malaysia’. This rally was introduced by UMNO Youth and Malaysian Government to show to the world that if Malaysia, as a multi racial country can be unified peacefully and with harmony, why can not certain other countries who are facing problems with their domestic politics and violent racial disputes, act and improve to find solutions. Yet again, Dr. Mahathir of Malaysia during his speech at the OIC Summit 2003 in Putrajaya commented on the matter of Israel-Palestinian conflict by stressing his views. His speech was not just for the Muslim world, but also for the world community as a whole, by saying that:-

“We [the world community] should stop killing each other. We should stop the Jews from killing the Arabs. The Arabs from killing the Jews. We should stop terrorist acts like what was seen in Bali.” [35]

Mahathir strongly stressed to world leaders and the world community, that Malaysia is totally committed in fighting, not just terrorism but also most significantly to fight against its extraction, that is extremism. However, it is gloomy and disheartening when the statements by Mahathir at the Summit were taken out of context by some sections of the western media. Australia for example had come to regard Mahathir, the NAM and OIC Chairman as recalcitrant and a 'second copy' of Osama Ben Laden. Australian Labour Party foreign affairs spokesperson Kevin Rudd stated:-

“Dr Mahathir is beginning to sound more like Osama bin Laden than a respected international statesman.” [36]

The Australian news media had taken Mahathir’s speech it out of context and pictured Mahathir and Malaysia as supporting terrorist actions. This is evidence that foreign media try to neglect all the achievements made by Malaysia to fight against extremism and an ‘acts of terror’. They just make provocative news, so the world will view Mahathir and Malaysia as a political leader and country who support terror action against the Westerners. This provocative statement is ridiculous and does not give any consideration that Malaysia is a well-respected nation with toleration and moderate commitment toward Islam. Malaysia is among the most committed countries who govern by coalition Government based upon ethnic and racial tolerance. With more than 40% of the population non-Muslim, it is sad to regard Malaysia as among the worst Muslim countries of the world when it is the only multi racial country in Asia and the Muslim world that can really claim success in maintaining peace among races, cultures, and religions that constitute its population. This happens without bringing in any political separatist movements, and the people can mix without any hard and extreme regulation if compared to the Middle East. Malaysia is an Islamic country even though more than 40% of the populations are non-Muslim. An announcement by Mahathir during his speech to the
GERAKAN General Assembly in 29 November 2001 stressed that Malaysia is a fundamental Islamic country was fully respected by the representatives in the GERAKAN of which more than 80% of the representatives are non-Muslim and non-Malay. The Assembly hailed Mahathir as a great leader of Malaysia. The foreign media neglected this tremendous event.

In politics, it is most important to emphasize, that in a multi racial country such as Malaysia, if a politician does something wrong, especially a Prime Minister, it will put at risk the stability among races and political parties of the coalition. The Economist in a 16 page exclusive survey of Malaysia, published on 5 April 2003, for example, does not take the situation as a whole, but uses arguments based upon opinions of critics sympathetic to the chauvinist and extremist opposition. Anwar Ibrahim, detained in 1998 had brought intense interest from foreign media and certain local news media that portrayed Mahathir administration and Malaysia as an inhumane society. Most of the media supported Anwar’s reformasi to overthrow the Barisan Nasional Government. However, Mahathir was able to stay in the position with a new mandate in the 1999 General Election. Anwar, earlier described as a fighter for justice and humanity, after five years in prison, was reported by the Australian news as a leader who was guilty of ‘funding terrorist activities’.

A report compiled by award-winning investigative journalist Ginny Stein for SBS TV’s ‘Dateline’ program, linked the Washington-based International Institute of Islamic Thought (IIIT), of which Datuk Seri Anwar Ibrahim was one of its three directors, and linked International Free Anwar Campaign (IFAC) to Al-Qaeda financiers. Naming Melbourne-based IFAC leader Rahim Ghouse and his business partner, Dr Wan Hasni Sulaiman, of Kuala Lumpur, as having had business dealings with Sheikh Yassin Al-Qadi, accused in the US of funding terrorist activities and declared a terrorist by Singapore [37]. Mahathir’s action to silence Anwar and remove him from Malaysian politics was not a vengeful action, but was based on the ‘national interest’, to protect Malaysia from appointing this kind of leader to the top position. Reflecting on the news, one is forced to question, why Al Gore and Madeline Albright, the former U.S Vice President and the Secretary of State were keen to support Anwar in his action of reformation in 1998-1999.

5.0 Fundamental Islamic Country

The announcement of Malaysia as a ‘fundamental based Islamic’ country surprised the Malays, especially PAS who regarded Malaysia as secular and the Government of UMNO and Barisan Nasional as kafir (infidel). Mahathir stated the situation by saying:

“Thus, political Islamists go far as to declare that anyone who does not support their political parties as infidel, kafir, and will go to hell in the afterlife. This frightens a lot of ignorant people into supporting them. Such is the commitment of the supporters that even obvious misinterpretations by their leaders are accepted by them” [38].

Mahathir at the UMNO General Assembly in 2003 clearly stated his position in advising Malays to get rid of PAS ideology. He stated that Malays as Muslims must not be influenced by PAS because:-

“PAS deliberately misinterprets Islam. Over time their interpretation became more far fetched and extreme. From accusing UMNO members as being infidels, not Muslim, they have reached the stage of declaring that a God uses obscenity like their own party leader does and that God is a thug or gangster.” [39].

The announcement of Malaysia as an Islamic state is actually to cope with the propagations made by the extremist opposition, PAS. The commitment of Mahathir’s Government is clear, that Syiar (development) in Islam is amore important pillar rather than Hudud (punishment). Extremist Islam is another manifestation of the insurgency that happen which happened during the reign of Tunku Abdul Rahman in fighting the Communists. Extremism and terrorism gave Mahathir’s Government ‘flashbacks’ to Malaysia’s history and it uses ISA as a ‘weapon of mass
destruction’ to the extremist activities in Malaysia. Mahathir does not want to be a second ‘Tunku’ in dealing with crisis.

The announcement made by Mahathir, which stated Malaysia as a Fundamental Islamic country, however, does not bring any harm to non-Muslims. They know that Mahathir as a tolerant Islamic leader and UMNO as a ‘moderate Muslim fundamental party’ will never neglect its Barisan Nasional component members in governing Malaysia. More than 10 members of the Mahathir’s cabinet were non-Muslim and non-Malay. This clearly suggests by Mahathir that Malaysian leadership will totally follow the guidance given by the prophet Muhammad 1400 years ago. Mahathir stresses that Malaysia Multiracial Government in the Islamic country will be guided in its position to totally follow all the achievements made by the Prophet Muhammad in leading the first Islamic city state in Madinah (Medina). Mahathir said to the all ulama (religious clerics and Islamic scholars) who attended the World Ulama Conference in Putrajaya:

“This multi-racial and multi-religious country where everyone accepts the constitution which provides that Islam is the official religion but the practice of other religions by their followers are guaranteed. We believe in religious harmony as advocated by Islam in Surah Al-Kafirun, ayat five and six. “Nor will ye worship that which I worship. To you your Way, and to me mine.” [statement in the Quran].” [40]

This was significant in showing to the world, that actually, there is no case for regarding Malaysia as a brutal, prominently Muslim country who threatens and harms its non-Muslim and non-Malay population. The state government of Penang for example, even though UMNO is a Malay based political party, won a majority of seats in the state assembly in the 1999 General Election, even though UMNO is a Malay based political party, won a majority of seats in the state assembly in the 1999 General Election, was run by a Chief Minister who is Chinese, and among the GERAKAN (Parti Gerakan Rakyat Malaysia or Malaysian People's Movement Party) leaders, Chinese in the position of Chief Minister have been quite common for since 1957. In Sabah, for several years since 19 Mac 1994 to Mac 2004, the positions of Chief Minister were rotated between Malay-Muslim (UMNO) and Chinese, Non-Muslim Bumiputera. This is clearly shows the evidence that Barisan Nasional Government and its leadership were very committed in governing Malaysia as a multi racial, multi custom, and multi religious ‘Islamic fundamental’ country.

6.0 Malaysia and Mahathir as an Agent of Change: Malaysian State Building at the Era of the Globalised World

The Malaysian Prime Minister, Dr. Mahathir, in his speech at the World Economic Forum in New York, on February 3, 2002, mentioned that globalization means not more freedom but less freedom from rules, regulation, law and policies. Thus, Dr. Mahathir believes that globalisation describes a coming together of all the countries into one entity with the emphasis on the free flow of capital and trade in goods and services. However, people and other things may not flow so freely. Therefore, it seems that globalization, as a borderless world, is already a fact. Dr. Mahathir also stresses that:

“Globalization can bring about a better world if we are not fanatical about it’ [41].

It should be emphasized, however, that:

“not everything that is done in the name of globalization will give good results” [42].

On that matter, countries must always be on the lookout for adverse consequences and be prepared to take corrective action, or even to reverse certain globalization trends in order to ensure that these adverse consequences will not befall them. Dr. Mahathir has been ambitious in seeing Malaysia as a number one player in the international arena. Since his appointment as Prime Minister, Dr. Mahathir has been optimistic in encouraging Malaysia to take a leadership role for the developing world. Malaysia under the leadership of Dr. Mahathir is regarded as a number one player for the developing world. In 2003, Malaysia was chair for two most prestigious largest groups of nations; the Non Alignment Movement (NAM), and the Organization of Islamic Conference. That means Mahathir’s policies were successful in shaping Malaysia as an important player for the world. Mahathir who is clearly regarded as a
controversial and outspoken leader by the West, is also a leader who will never give up in making sure his efforts to secure Malaysia’s future are successful.

Mahathir was really an ‘agent of change’, not only for Malaysia, but also for the world as a whole. For example, when dealing with crisis, Mahathir does not lose his sense of direction. The Asian Financial crisis of 1997-1998 had made Mahathir concerned enough to raise his views on globalization. He said:-

“Over a period of time with the reduction in the disparities the tension eased. And so when the economic crisis of 1997-1998 brought great hardship to the people, there were no race riots as there were in other similarly affected countries. The world needs affirmative action between countries so that the disparities between rich and poor countries worldwide are reduced and tension minimized. With this peace would be possible.” [43].

Mahathir furthermore sees regionalism as a most important element in stabilizing economic growth. Mahathir said :-

“Our policy is to prosper our neighbours. This is not just charity or a desire to help. The fact is that when neighbours are prosperous we will also become prosperous because we will be able to increase our trade with them. On the other hand when neighbours are beset with problems, the problems will spill over into our country. Clearly prospering your neighbour is a policy of enlightened self-interest. And this policy has brought a lot of benefit to us, contributing to regional stability and also the growth of the economy.” [44].

This statement shows Mahathir’s great concern for ensuring that the global effects, in the sense of negative outcomes, have to be reduced. Mahathir realizes that, if global concepts are not seriously concentrated in the national policy, it will be disastrous to the nation and state in the future. That is why Mahathir’s Government was keen to keep Malaysia progressing to moderate and develop in order to achieve an excellent well-developed country by the year 2020. The Prime Minister really stresses that a developed Malaysia will be achieved according to the Malaysian blueprint.

7.0 Malaysian Ways: Role Models in Handling the Financial Crisis

The 1969 racial-political crisis, which happened during the reign of Tunku Abdul Rahman, is clearly fresh in Dr. Mahathir’s mind. Dr. Mahathir referred to the situation of in 1969, at the Kuala Lumpur World Peace Conference, saying:-

“… disparities in the world today was once reflected in Malaysia. Wealth used to belong only to one community while the other communities remained extremely poor. The tension caused by this situation lead to racial riots, destruction of property and death of many in 1969. To avoid a recurrence the government launched an affirmative action plan designed to reduce the disparities between the races and eradicate poverty among all.” [45]

Handling the economic crisis, while at the same time dealing with the political turbulence caused by the opposition to overthrow his Barisan Nasional government, Mahathir was most efficient in handling both crises. He averted some of the pain of the financial crisis by formulating a recovery strategy, relevant to Malaysia’s socio-economic needs and its cultural values [46]. Malaysia has it own way of conducting its economic and financial system, depending on its needs and hopes. Announced in July 1998,

“National Economic Recovery Plan (NERP) aims to strengthen domestic fundamentals and redress inherent weaknesses in the system, listing over 500 recommendations currently being implemented by the government” [47]

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Nowadays, under the Executive Director, Dato’ Mustapa Mohamed, former Second Finance Minister before 1999, NEAC is performing a great job in coordinating actions to put Malaysia on the right track to direct the Malaysian economy to achieve an excellent momentum. As describe by Mahathir himself, Malaysian control ‘is not a simply turning your back to the world’ (Mahathir, 1999). In fact, Malaysia is a trading nation. Its economic growth and

“Well-being depends largely on its commercial and financial links, including direct foreign investments with the rest of the world... with only 22 million people and a relatively low per capita income there is no way for Malaysia to be totally independent economically’ and certainly no way for Malaysia to grow and prosper. Malaysia must maintain strong economic links with the rest of the world’ [48]

Beginning in 1997 and throughout the continuing years, Malaysia suffered from the Asian currency crisis. Instead of following the economic prescriptions of the International Monetary Fund and World Bank, Prime Minister Mahathir opted for fixed exchange rates and capital controls. In late 1999, Malaysia was on the road to economic recovery, and it appeared that Mahathir’s measures were working. Since the financial crisis, Malaysia has persevered ‘to undertake macroeconomic adjustment policies and implement financial reforms to reduce the risks and vulnerabilities to external developments’ [49]

Support is provided by the Malaysian government to control its currency. Malaysia formulated a new strategy in securing the first objective of stabilizing the Ringgit and adopting selective controls on short-term capital, with the main purpose of taking counter measures if the economy is faced with any problem. In September 1998, the Ringgit had been pegged to US$3.80. This action was truly a turning point in financial approaches of Malaysia. The establishment of the National Economic Action Council (NEAC), on January 7, 1998 as a consultative body to the Malaysian cabinet in dealing with the nation’s economic problems, was specifically effective [50]. Under the consultation of NEAC, one of the mechanisms taken was to control the speculative movement in the monetary system. The Malaysian Government has made currency control as an imposed action to control over the flow of capital and the Ringgit Malaysia (RM) from speculative movements in currency trading. Malaysian currency control ‘has to be so crafted that it would prevent the currency from being manipulated by foreign currency traders while allowing normal business transactions to be carried out without interference” [51]

That is precisely what was formulated and carried out by the Malaysian Government.

In the period of capital control, Malaysia stopped the ringgit (Malaysia's currency) movement across the border. It meant that ringgit, held outside the country and not returned within one month, had no value. Luckily, because of this control capital for a short-term period, the share market recovered rapidly.

“By the end of period, the market had gained by 200 percent and when the moratorium was lifted one year later, the predicted massive outflow of capital did not take place. The stock market index remained high” [52]

Foreign long-term direct investments have not been affected either. The investments are ‘flowing in because conversion to Ringgit at a fixed rate within the country facilitates business budgeting’. At the same time, ‘the exchange rate is more favorable than when the Ringgit was stronger’. The money invested can be taken out without any difficulty ‘if there is a need to liquidate and take the money in foreign currency elsewhere’. Profits from such long-term investments can be repatriated [53]. Following the action taken by the Malaysian government, the initial international reaction to Malaysia’s policy response to the crisis was discouraging and blaming from world organization such as World Bank, World Trade Organization (WTO) and especially from IMF. When Malaysia decided to make a capital control program on September 1, 1998:-

“many of countries especially from developed countries disagreed about that’. ‘The reasons were the Malaysia was turning its back on the market system and yet some country accused that the capital control will leads to all of efficiencies and latter to avoid economic and financial restructuring” [54]
The action taken by the Government of Malaysia to control capital flow and its currency was later recognized by the world financial system. As stated by Van Ness (1998), following Malaysian Prime Minister Mahathir action to fix the ringgit, many Western financial analysts were shocked. About the same time, he was ‘denouncing George Soros, founder of the US$10 billion Quantum Fund, and other “rogue speculators” who, he charged had sabotaged the Malaysian economy by undermining its currency and stock market in July 1997’. The Western investor then pulled out of Malaysia’s equity market. Thus, when the Western investors pulled out:-

"China stepped in to help, and later in announcing a US$ 1.5 billion investment in a Malaysian pulp and paper mill, China’s largest overseas investment’, and ‘Chinese Premier Li Peng visited Singapore and Malaysia to underline China’s support" [55]

Japan had given acknowledgment of Mahathir’s economic and financial prescription by making available substantial soft loans amounting to several billion US dollars. Japan was also ‘prepared to guarantee any bond issue by the Malaysian Government’. Despite Moody’s and Standard and Poor’s low ratings:-

“When the Malaysian Government tested the American bond market in 1999, the issue was oversubscribed by three times” [56]

A year after imposes certain radical financial policies, Mahathir’s economic and financial prescription had showed a marked success. This removed any doubts for the world whether ‘Malaysian ways’ in dealing with crisis had merit and people were forced to acknowledge ‘Mahathir’s prescription’ as a brilliant and most prestigious experiment for the benefit of the world global approach in dealing with financial and economic crisis. The success story of Mahathir in dealing with financial crisis had also impressed the former Chief Economist at the World Bank until 2000, who was before a Chairman of President Clinton’s Council of Economic Advisors. Mahathir’s success were stated by Stiglitz as:-

“Today, Malaysia stands in a far better position than those countries that took IMF advice. There were little evidence that the capital controls discouraged foreign investors. Foreign investment actually increased.” [57]

Recognition was also given by the International Monetary Fund (IMF) current Managing Director Horst Kohler, also acknowledges the achievement of Mahathir in dealing with the financial crisis. During the annual Group of Eight Summit in Evian, France, on 2 June 2003, Kohler, mentioned:-

“Malaysia has recapitalised its banks, its system is more transparent and the country has been able to deal with the non-performing loans,” he said. “Generally, Malaysia has improved the business climate” [58]

Even the former IMF Managing Director Michel Camdessus, who was a most outspoken critic on the Malaysian Capital and Currency Control, in Paris a week before the Summit, spoke positively of Malaysia’s financial policies. He said:-

“They are (Malaysia) within the rules of the IMF which has no objection” [59]

Bank Negara Malaysia in 2 June 2003, with the latest economic indicators showed the Malaysian economy is well improved. The economic conditions improved further in the second quarter of 2003 with 4% growth in the Gross Domestic Product (GDP). The statements made by the Bank Negara Malaysia were followed by the Ministry of International Trade and Industry (MITI) of Malaysia, on 2 May 2003, which indicated Malaysian trading in April 2003, was in surplus with RM5.77 billions (US$1.52 billion). These indicators showed that Malaysian control over its currency was effective and acceptable to the world’s financial environments. The recent statement by Bank Negara Malaysia in September and October 2003 on Malaysian international reserve, indicated that in September, the international reserve had rose by RM4.4 billion or US$1.2 billion during the second half of September to RM154.8 billion or US$40.7 billion as at 30 September 2003 [60]. Then, one month later, the International reserves of Bank Negara Malaysia increased further to RM159.4 billion or US$41.9 billion as at 15 October 2003. The increase in

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reserves of RM4.6 billion or US$1.2 billion in the first half of October was attributed to sustained inflows from export earnings, inflows of foreign funds and foreign direct investment. Outflows reflected payments for imports of goods and services and external loan repayments by the private sector. The reserves position is adequate to finance 6.6 months of retained imports and is 4.5 times the short-term external debt [61]. This means Malaysia, had survived through out the financial crisis without prescription by the International Monetary Fund, and success.

8.0 Conclusion

The concept of development toward national building in the context of Malaysia is full with uniqueness with need detail exploration. The main idea on developing Malaysia as in a framework toward state and nation building is taken enormous afford and ideas, together with vision and wisdom of the leaders. The role play by politician as a co-leader in making Malaysia a success ever development from only a part of ‘fraction state’ which consist several tiny ‘Malays sultanate’ and British protectorate toward unified and glorious tremendous development of state and nation building showed the world the capability of Malaysian leadership in adopting the global environment to making Malaysia as a strong country who not only effective in side of it domestic part but also contribute a lot for the development of the world. The challenges that Malaysia have and already facing with had brought experience to Malaysia to maintain it stability and prosperity of the state and nation. It is a wonderful experience to facing with so many domestic and international disruption, hence, it not making Malaysia step backward but making these country to looking forward to detainment it own destiny.

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